

which carried the limit of circulation to 750,000,000 pesetas (\$150,000,000).<sup>1</sup>

The necessities of the Treasury led to a new revision of the charter by the law of July 14, 1891, and the extension of the privilege of the bank until December 31, 1921. The new charter authorizes the issue of notes to the amount of 1,500,000,000 pesetas (\$300,000,000) against a cash reserve of one-third, of which at least half is required to be kept in gold.<sup>2</sup> The bank was required to pay for these privileges by advancing 50,000,000 pesetas to the government annually for three years without interest or right to reimbursement until the expiration of the charter. The fate of the bank has come to be bound up more and more with that of the state and it has been only by the bank's help that the Treasury was able to meet its engagements. The Treasury budget showed a persistent deficit, and a floating debt was incurred from 1885 to 1893 of 550,000,000 pesetas (\$110,000,000). The permanent debt on June 30, 1892, was 6,249,639,975 pesetas (\$1,200,000,000),<sup>3</sup> and the charges on account of the debt for 1894 were estimated at 309,219,669 pesetas (\$61,000,000 or about \$3.40 per capita). Exchange declined about twenty per cent, and railway securities and public stocks fell from fifteen to seventy-five per cent, within five years.

The commercial operations of the bank through its fifty-eight branches became subordinate to the issue of paper notes to cover advances to the state. A large proportion of the assets were locked up in loans on government and foreign securities, which increased rapidly for several years because the bank maintained a uniform interest rate of four per cent., which afforded a profit upon the difference between this rate and the higher rate earned by the securities. This difference was availed of by shrewd speculators to borrow on securities, spend the loan on new purchases of securities,

Alfred Neytnarck, Article, "Banque," in *Didionnaire de Politique* I., 140.

<sup>2</sup> *Bulletin de Statistique*, July, 1891, XXX., 72.

<sup>3</sup> Raffalovich, *Le Marché Financier en 1893-4*, 217.